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FOREIGN SERVICE DESPATCH

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FROM : AMEMBASSY, GUATEMALA — 213 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — September 4, 1953 DATE

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Action Taken Watts

SUBJECT: Joint Weeka No. 36 for State, Army and Air Department from S - Section I

Date of Action 9/11/53

Action Office Symbol ARA

WJ Phillips Officer

In a press conference this week about the Department's Aide Memoire of August 28th on the Agrarian Reform expropriations of United Fruit Company land, Sr. Guillermo TORIELLO, Guatemalan Ambassador to the United States, who had conferred with President ARBENZ since his return on September 1, told reporters that Guatemala would not discuss internationally its sovereign acts such as the Agrarian Reform Law and termed the Department's phraseology "offensive" and "injurious to Guatemalan dignity." In preliminary comment, before the text of the document was available, the independent newspapers urged the Government to make a moderate reply but the Administration press and the Communist-controlled CGTG stridently labelled the Department's action "open intervention" and "insolent."

In other developments affecting U.S. interests, a Labor Court ruled that the SAMF railway workers' union could legally go on strike against the U.S.-owned IRCA railroad company in their current wage dispute while the office of Sr. Alfonso BAUER Paiz, Government representative in temporary control of the services of the U.S.-owned Empresa Eléctrica since last July's strike, told the press that the company could not only afford wage increases but also reduced rates.

On the domestic scene, the Partido Acción Revolucionaria (PAR) Executive Committee publicly accused the Communist Partido Guatemalteco del Trabajo (PGT) of trying to pack Local Agrarian Committees and rural union organizations with PGT adherents but this flare-up subsided in a few days when Sr. Francisco FERNANDEZ Foncea, Secretary General of the PAR, retreated from his party's earlier position and joined Sr. José Manuel FORTUNY, Secretary General of the PGT, in signing a statement denying friction and calling for unity.

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FILE

Desp. No. 213
From GUATEMALA

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(Classification)

Desp. No.
From

F790004-1097

FOREIGN AFFAIRS

Guatemalan Left Views Aide Memoire on United Fruit Company as Intervention: In his press conference in Guatemala City on September 3 about the Department's Aide Memoire in the United Fruit Company expropriation case (Toeka 34), Ambassador Toriello told reporters that Guatemala would refuse to discuss internationally its sovereign acts such as the Agrarian Reform Law and that it would record its most energetic protest against certain "concepts injurious to Guatemalan dignity" in the text of the document. He said the Foreign Office would later reply to the substance of the Aide Memoire and he would merely address himself to its form. The Aide Memoire, he said, contained "concepts offensive in relations between states" and had filled him with indignation when he had received it in Washington. Certain circles in the United States, he went on, did not wish to understand Guatemala's economic reform program and desired to treat the country as a "small banana republic." He urged all Guatemalans "to unite as a single man in this difficult hour to protect the threatened national sovereignty, dignity and economic independence." As Ambassador Toriello had conferred with President Arbenz and Foreign Minister OSEGUEDA since his return to Guatemala on September 1, his views could be taken as reflecting those of the Administration.

In earlier press comment, handicapped by absence of the text of the Aide Memoire, independent newspapers had advocated moderation in the Guatemalan reply while the pro-Government organs quickly labelled the Department's action as "open intervention" in Guatemala's domestic affairs. The independent Prensa Libre pointed out that the U.S. did not question the right of expropriation but invited negotiations on fair compensation and that the Aide Memoire should be answered as a question of international law and not by misguided and misleading protests. The opposition Impacto pointed to the Mexican and Iranian expropriation experiences and cautioned against bringing similar misery to Guatemala. The pro-Government Nuestro Diario, on the other hand, saw the Aide Memoire as "open intervention" in Guatemalan affairs and a "flagrant violation" of the UN resolution on the right of under-developed countries to use their resources.

Following their customary tactics, the local Communists began organizing protests. Sr. Víctor Manuel GUTIERREZ, Communist Secretary General of the Confederación General de Trabajadores de Guatemala (CGTG), published a statement offering the CGTG's support to the Government against the "insolent protest" and "aggression against the national sovereignty" of the U.S. Government. The Communist-controlled women's organization, the Alianza Femenina Guatemalteca (AFG), issued

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a similar statement and the Communist-oriented High school students, the Confederación de Estudiantes de Post-Primaria (CEP) held a protest demonstration of about 250 persons.

AMERICAN INTERESTS

Labor Court Holds Strike on IRCA Railroad Would be Legal: In the current labor dispute between the U.S.-owned International Railways of Central America (IRCA) and the SAMF railway workers' union about the latter's demands for 50 percent wage increases and other benefits, the competent Labor Court this week ruled that a strike would be legal after a strike vote had shown an overwhelming majority of the workers in favor of one if satisfactory agreement were not reached (Weeka 34). The IRCA immediately appealed to the Labor Court of Appeals which is now attempting informal conciliation prior to confirming or reversing the lower court's ruling. If it confirms, the SAMF will have twenty days from that date in which to go out on strike, failing which the dispute would be submitted to compulsory and binding arbitration.

Further Intimation of Adverse Actions Against Empresa Eléctrica: In a further statement foreshadowing the probable tenor of the report of the Guatemalan Government auditors looking into the Empresa Eléctrica (Weeka 35), the office of Sr. Bauer Paiz, the Government representative in temporary control of the company's services, this week told the press that the auditors had found that the company had been making almost 35 percent profits, that it had concealed the true situation in bookkeeping frauds and that it could not only afford to pay the wage increases demanded by the workers but also could afford to reduce its kilowatt hour rate. As will be recalled, the Company has taken the position that its net return has been less than 6 percent, that it will run up a deficit during the current semester, and that it cannot afford raises.

DOMESTIC AFFAIRS

Friction Between Leading Administration Party and Communists: Following the bloody clash on August 26 between farm workers in the village of Yepocapa over the installation of the Local Agrarian Committee (Weeka 35), the smouldering rivalry over political spoils between the largest Administration party PAR and the expanding Communist PGT flared up briefly into a public exchange of recriminations. The PAR Executive Committee issued a communiqué blaming the incident on Sres. Natzul AGUIRRE Cock and Marco Antonio BLANCO, Inspectors of the National

Agrarian Department, who were members of the PGT, and stating that they were acting in conformity with the policy of Sr. Waldemar BARRIOS Klee, Chief of the National Agrarian Department's Lands Section, who was also a PGT member and was trying to pack Local Agrarian Committees with PGT adherents. The national small farmers' and agricultural workers' federation, the CNCG, took the side of the PAR, charging that the PGT-controlled national federation CGTG was trying to monopolize the organization of rural unions.

The PGT's Tribuna Popular first placed all the blame on the maneuvers of the PAR Mayor of Tepocapa but the party's Political Committee shortly followed with a statement absolving the national PAR leadership from responsibility and appealing for unity. The flare-up was finally extinguished by a joint statement by Sr. Francisco Fernández Foncea, Secretary General of the PAR, and Sr. José Manuel FORTUNY, stating that "no friction or differences" existed between the two parties and they were united behind the Arbenz Administration program.

The flare-up reflected the other leftist Administration parties' growing jealousy of the PGT's encroachment on areas of patronage and recruitment for party and union organization which they had considered their prerogative but there was no suggestion of the growth of any crystallized anti-Communist ideology among them. The practical political conflict appeared as a natural concomitant of the PGT's current membership drive which claims to have more than doubled the party's size since December 1952; the expansion of the Communist-controlled CGTG unions among agricultural workers; and the PGT's increased requirements for jobs and influence in the Agrarian Reform machinery and other Government agencies.

R. E. Schoenfeld

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